adWatch

(Continued from Page 3)

Point-of-Purchase Advertising Institute, says the "commercial has committed the gravest sin in advertising. It doesn't sell Wendy's fast-food. It sells the ad agency, the author, director and, most of all, Clara Peller."

But Wendy's remains sanguine despite the second-guessing and envy that have accompanied the campaign's success, in large part because "Where's the beef?" has kept the cash registers ringing and the lines long.

"We wouldn't have moved our marketing calendar around and returned to the network with it if it didn't work," said William Welter, Wendy's exec vp-marketing.

Although unwilling to divulge exact sales figures, Mr. Welter said Wendy's next month "will be proud to announce first-quarter results that I think will speak for themselves."

Market researcher Restaurant Industry Trends estimates that February sales for Wendy's (unadjusted for menu price increases) were up 19% from the previous February, after being up 15% in January. Mr. Welter said those figures are "in the ball park."

In addition to the sales gains and the millions of dollars worth of free publicity, Wendy's believes it has accrued some equally important long-term benefits from the campaign.

According to the chain's tracking survey, public perception of Wendy's Single as being larger than Burger King's Whopper or McDonald's Big Mac has increased 47% in the two months since the campaign began. Encouraging such movement had been the original impetus for the "Where's the beef?" campaign.

Mr. Welter said much of Wendy's increase in favorable consumer perception has come at the expense of Burger King's Whopper, while McDonald's Big Mac has held steady and continues to be perceived as largest by the most consumers.

Similar shifts occurred for the three chains' advertising awareness. Last month's adWatch figures for the fast-food category suggest that some consumers may not identify "Where's the beef?" with Wendy's.

Wendy's 14.5% share of first mentions in the category represented an increase of 6.8 points since January. Burger King's awareness fell 5.2 points to 16.3% of mentions. McDonald's was off slightly, dipping from 41.8% in January to 39.3% last month, but its advertising still dominates recall in the category.

AdWatch is a joint project of Advertising Age and SRI Research Center, Lincoln, Neb. Ad awareness is measured by asking a nationally projectable sample of adults to name the advertising that first comes to mind in a variety of product and service categories from all they have seen, heard or read in the past 30 days.

Last month, 1,254 consumers were questioned by phone. Under adWatch methodology, an increase or decrease of 2.8 percentage points between monthly samplings is considered statistically significant and attributable to more than sampling variations.

Among movers in other categories:

- Michael Jackson was again forced to play second fiddle to Clara Peller as Pepsi's 5.6 percentage point increase in the **soft drinks** group was the second-largest improvement. With 28% of first mentions, Pepsi replaced Coke in the No. 1 spot for the first time since November, 1982.

Riding Pepsi's—and Michael Jackson's—coattails was Diet Pepsi, which apparently overtook Diet Coke last month to claim the No. 4 spot with 3.6% of first mentions. Seven-Up held the No. 3 position with a 7.9% share.

- Avon, preparing to launch a more aggressive advertising campaign this spring (AA, March 12), already has received an awareness boost. A 2.9 point increase to 6.5% of first mentions last month helped the direct marketer recapture the No. 1 spot in the **cosmetics & fragrances** category.

January's leader, Maybelline, also received an improved rating last month with a 5.6% share, but slipped to No. 2, ahead of Cover Girl (3.2%).#

For additional information or data, contact: Gary Gabelhouse, SRI Research Center, 301 S. 68th St., Lincoln, Neb. 68506. Phone: (402) 489-0351.

Avon promoting fashion, discount

By PAT SLOAN

After a three-year hiatus, Avon Products' Avon division is back with a multi-million-dollar spring promotion offering lipstick and nail enamel at a discount (AA, March 5, *et seq.*).

While past commercials such as the $4 million "Color never looked so good" promotion in 1979 showed Avon representatives selling, the new commercials are pure fashion.

Described by ad director Tabor Butler as "graphic techniques interspersed with a beauty payoff," the commercial features three women models and a specially created song.

Tv is backed by radio and a *People* gatefold. The $3 million-plus campaign will account for 20% of Avon's U.S. ad spending in 1984. Worldwide, Avon will spend $25 million.

According to Avon executives, the division is projecting unit sales of 12.5 million each for lipsticks and nail enamels during the four-week promotion, when the products will sell for 50¢ instead of the usual $3.50. N W Ayer is the agency.

With sales soft from 1980 through 1982, the Avon division virtually dropped its advertising, said Ms. Butler.

In the first nine months of 1983, however, Avon spent more than $13 million on measured media advertising, according to Leading National Advertisers.#

Beef goes abroad

(Continued from Page 3)

tralia even though Clara Peller hasn't been seen there—yet. While Wendy's presence in Australia and England is limited to fewer than 12 stores in each country, both are major expansion targets.

McDonald's and Burger King are better represented abroad and are advertising aggressively.

Mr. Welter agrees that "Where's the beef?" could help raise Wendy's awareness in England and Australia, as it has here.

Although he said he'd "love to put it on the air in London tomorrow," Mr. Welter said Wendy's international marketing executives are studying how well the spots might travel.

Back home, new questions about the origins of the line were raised by Suburpia, a 19-store sandwich-shop chain based in Milwaukee. Joe Pecor, marketing director for Suburpia, said a 1979 commercial Joe Sedelmaier directed for the chain and its agency, Van Leeuwen & Partners, bears so many resemblances to Mr. Sedelmaier's Wendy's spot that Suburpia can't use its own commercial without looking like an imitator.

Mr. Pecor said Suburpia officials have contacted Wendy's and its agency, Dancer Fitzgerald Sample, requesting compensation for its inability to run the spot. He said if no out-of-court agreement could be reached, the company would be "forced to file a copyright-infringement suit."

In the Suburpia spot, which has not run since 1979, a man orders a cheeseburger from a clown-face menu board. When a very small burger is delivered, the man says, "That's it? Where's the meat?"

Receiving no satisfactory response to his question, the man angrily yells into the clown, "Hey, you. I know you're in there. Where's my meat?"

That, Mr. Pecor said, is similar to Clara Peller's line, "I don't think there's anybody back there."

Mr. Pecor also pointed to the use of a small burger on a large bun in both commercials.

Mr. Pecor said the Suburpia spot was aired Nov. 26 as part of NBC's "TV's Greatest Commercials, Part Four" and Suburpia had planned to revive it this year.

"Unfortunately, there are a lot of people trying to share the limelight," Wendy's Mr. Welter said of the Suburpia claims. He said DFS copywriter Cliff Freeman hadn't seen the Suburpia spot before he wrote Wendy's last summer and wasn't influenced by it.

Mr. Sedelmaier was more upset by the brouhaha.

"I would never do something I had done before and try to foist it off on a new client," he said.

But it is hardly surprising, he added, that his personal style is evident in both spots he directed.

Mr. Sedelmaier showed Advertising Age original scripts for both spots and said he had changed the line, "But I can't even find the meat" (written by James Weller, now with Della Femina, Travisano & Partners in Los Angeles), to "Where's the meat?" for Suburpia before filming. The Wendy's line as scripted was "But where's all the beef?"

Mr. Welter said the matter is in the hands of lawyers and Wendy's is not about to pull the country's hottest commercial.#

This story was written by reporter Scott Hume.

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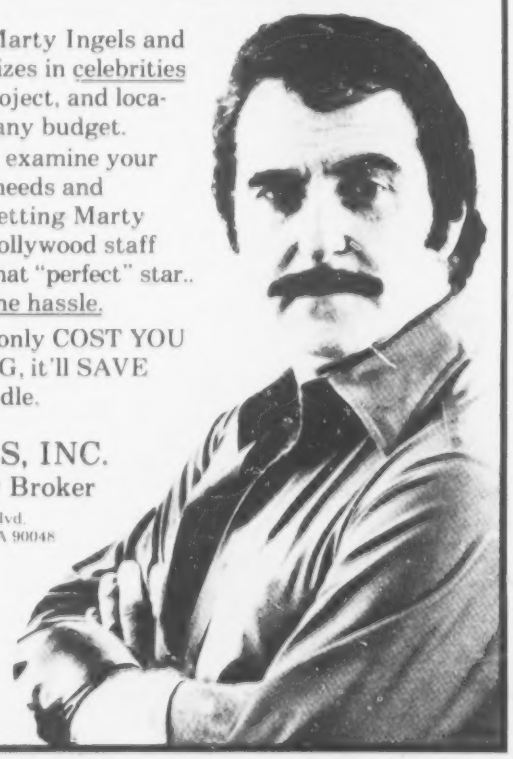

Schaefer to carry low-alcohol banner

By RALPH GRAY

DETROIT—Stroh Brewery Co. will mix an old ad theme with its just-named Schaefer LA (for low-alcohol) beer. "The one beer to have when you're having more than one" is the revived Schaefer line.

Schaefer was picked to carry the Stroh low-alcohol banner because the brewer is aiming at buyers of lower-price beer. Schaefer, once an eastern beer, was taken national as a lower-price brew after Stroh acquired it in 1980.

The old theme line was brought back because "it is a well-known phrase in the beer business in association with Schaefer, and the concept [of having more than one] is closely related to the reasons consumers will be drinking Schaefer LA," said John Bissell, group vp-marketing.

The new brand will be introduced in late spring, probably May, but Stroh wouldn't disclose further details. MCA Advertising, New York, will handle.

Stroh decided on a brand extension rather than a new name because "we have the equity of that brand name out there and its price level is established," Mr. Bissell said in an interview.

Schaefer LA will be met by low-alcohol beers from Anheuser-Busch, which will test-market a product it is calling LA from Anheuser-Busch (AA, Jan. 23). G. Heileman Brewing Co. is close to an entry, sources say, while Hudepohl Brewing Co., Cincinnati, markets Pace in Ohio and C. Schmidt & Sons, Philadelphia, is selling Break Special Lager in Texas and Massachusetts.

"We have no way of knowing what size the market is, but other brewers are out there, so for competitive reasons we want to be represented," Mr. Bissell said.

"Demographics are a mystery area, but we believe LA will draw interest from those drinking regular-alcohol beer and those not drinking much beer," he said.

Low-alcohol beers probably won't hit the 17% market penetration of light (lower-calorie) beers. But in western Australia, a heavy beer consumption area, weaker beer has taken 25% of the business, Mr. Bissell noted.

American beer is weaker than Australian beer and runs about 3.8% alcohol with light beer slightly less. Low-alcohol beer comes in at less than 2%.

One problem all marketers of low-alcohol beer face is that brewers can't mention there is less alcohol. "Many states prevent you from giving the amount of alcohol, and current interpretations of federal rules is that labeling cannot mention the alcoholic content," Mr. Bissell said.

But there are no restrictions on publicity, Mr. Bissell said. "LA is a segment where there is already a lot of inherent consumer interest, so we don't believe we need a big consumer-education program. Some of the interest groups like Mothers Against Drunk Driving have heightened consumer awareness on alcohol abuse," he said.

Stroh's entry isn't intended to placate such groups, but rather to respond to consumer desires, Mr. Bissell said.#

1982 census of service industries

Advertising agencies (U.S. and top 10 states)

	Number of agencies with payrolls	
	1982	1977
U.S.	9,559	8,089
New York	1,327	1,222
California	1,106	919
Texas	675	464
Illinois	606	563
Florida	512	392
Pennsylvania	408	362
Ohio	407	367
New Jersey	374	295
Massachusetts	291	233
Michigan	288	233

	Receipts (commissions, fees, etc.)	
	1982 (000)	% change '82 vs '77
U.S.	$5,822,664	+ 83.8
New York	2,036,728	+ 66.8
California	640,512	+121.7
Illinois	593,296	+ 66.2
Texas	297,750	+167.5
Michigan	282,424	+ 68.8
Pennsylvania	177,520	+ 50.8
Ohio	162,118	+ 74.7
Florida	143,111	+147.4
Massachusetts	137,995	+136.0
New Jersey	134,804	+161.3

	Employment	
	1982	% change '82 vs '77
U.S.	105,319	+27.6
New York	31,942	+18.4
California	11,017	+41.7
Illinois	9,604	+12.0
Texas	5,504	+72.8
Michigan	4,424	+22.7
Pennsylvania	3,974	+ 5.2
Ohio	3,587	+17.3
Florida	3,037	+45.9
Massachusetts	2,661	+59.8
Missouri	2,438	+28.7

	Productivity (Receipts per employe)	
	1982	1977
U.S.	$55,286	$38,400
Michigan	63,839	46,378
New York	63,763	45,249
Illinois	61,776	41,616
Georgia	60,204	38,866
California	58,139	37,153
New Jersey	57,980	33,012
Texas	54,097	34,940
D.C.	52,787	N.A.
Massachusetts	51,858	35,121
Connecticut	51,126	36,843

Source: ADVERTISING AGE *table from Census of Service Industries.*

Census sees agency growth

(Continued from Page 3)

$1,467,071,000 in the earlier census, with 105,319 employed, compared with 82,515 in 1977.

The information was collected early in 1983.

The Census Bureau's national and state information shows 9,559 ad agencies with payrolls, compared with 8,089 recorded five years earlier.

New York and California led with 1,327 and 1,106, respectively, compared with 1,222 and 919 in 1977. Texas, with 675 (464 in 1977), took third place away from Illinois, which had 606 in 1982 and 563 in 1977.

The advance report for 1982 shows the states of New York, California and Illinois with 56.2% of agency industry receipts.

Three big cities in these states—New York, Chicago and Los Angeles—had recorded 53.1% of the entire ad agency industry receipts in 1977.

Among the four states leading ad agency business, New York's results were generally lackluster, although its receipts of $2,036,728,000 still tripled second-place California.

New York's 66.8% gain in receipts barely topped the national average of 83.8%, while California was up 121.7%.

New York's 1,327 agencies was an increase of only 8.5%, compared with a 23.6% national increase; its annual agency payrolls were up only 61.6%, compared with 78.5% nationally, and employment was up 18.4%, compared with the 27.6% national gain.

Nearby New Jersey had a 161.3% increase in receipts, placing it 10th in the nation.

The state is also eighth in number of agencies, with 374, a 26.8% increase.

It registered a 48.8% increase in number of jobs and a 150.8% increase in payrolls.

California, second in number of agencies; Texas, third, and Florida, fifth, were among the standout performers.

California agency receipts of $640,512,000 represented a 121.7% increase, jobs were up 41.7%, payrolls up 111.2% and number of agencies up 20.3%.

Texas, with receipts up 167.5%, was still in fourth place, trailing Illinois, but the 45.4% increase in number of agencies in that state eased Illinois out of third place in that category.

Texas also marked up a 72.8% increase in jobs and 169.6% increase in payrolls.

Florida agencies reported $143,111,000 in receipts, up 147.4%; a 45.9% increase in jobs; a 121.7% increase in payrolls, and a 30.6% increase in number of agencies.

Receipts per employe and payroll per employe are measures of productivity.

For the U.S., receipts per employe were $55,286, up 44%, while payroll per employe was $24,864, an increase of only 39.9%.

Michigan and New York, first and second in receipts per employe, had gains of 37.6% and 40.9%, respectively, in productivity.

Better than national average receipts per employe were recorded in Illinois, 48.4%; Georgia, 54.9%; California, 56.5%; New Jersey, 75.6%, and Texas, 54.8%.

The payroll per employe rankings showed New York first, followed by Illinois, District of Columbia, Michigan, California, Alaska, Minnesota, Georgia, North Carolina and New Jersey.

New York, on the top with payroll per employe at $28,952, held its annual increase to 36.5%, compared with the national average increase of 39.9%.#

Kodak to enter videotape

(Continued from Page 1)

wars.

"This is going to be the year to watch," said Eugene Glazer of Dean Witter Reynolds. "All the big players will try to reverse this price-cutting trend by spending a lot of money to create distinct brand identities."

Kodak plans to capitalize on its long-established image as America's premier picture-taker. "We're known for quality products," said Richard McCoy, Kodak's director of marketing communications-consumer, professional and finishing markets. "We'll build on that heritage, as well as the considerable brand recognition of the Kodak name."

Kodak's tv buys have not been finalized, but the campaign—McCann-Erickson's first U.S. assignment for Kodak—will break April 2. Kodak declined to confirm the budget figures.

In addition to network prime time and sports, the company will use major-market spot tv and cable sports. The print schedule will include between 15 and 20 magazines, ranging from mass-circulation publications to *The New Yorker* to video buff books.

Mr. McCoy said the campaign has two distinct, immediate objectives: First, to let consumers know that Kodak is now in the tape business and, second, to convince them Kodak is the tape to buy.

The Rochester, N.Y.-based company will use the theme: "When the moment means more. Tape it. And keep it. On Kodak videotape."

The ads feature vignettes of great moments from the past as well as significant contemporary events in sports, entertainment and news, the company said.

Initially, Kodak will market products manufactured only by TDK Corp. of America. Analysts, however, speculate that if all goes well, Kodak will produce its own videotapes. It has the technology to do so; the process for coating magnetic tape is similar to that for coating photosensitive film and paper.

In addition to its marketing expertise and spending ability, Kodak brings considerable distribution clout to its latest endeavor. The tapes will be sold through Kodak's photo outlets—including Sears, Roebuck & Co. and K mart Corp.—as well as electronics shops.

Kodak is entering a growth market that is not dominated by any one company. According to Dean Witter's Mr. Glazer, sales of blank videocassettes more than doubled last year from 23 million units to 57 million units.

He expects 1983 unit volume to increase by some 30% to 40%. And if all goes well, he estimates Kodak could garner between 10% and 20% of the market in its first year.#

Merrill Lynch

(Continued from Page 1)

"cost situation." He did not deny that a large layoff would take place. If Merrill Lynch reduced its work force, others in the industry possibly might follow suit.

Meanwhile, as the company was reporting cost-cutting moves, it announced a joint venture with IBM Corp. to deliver financial information to IBM desktop computer units.

The service, which would enable brokers and financial services to gain access to stock quotes and other data over the IBM PC, is to go into test in 1985.#

LBS, Turner avoid court battle

By MAURINE CHRISTOPHER

NEW YORK—Lexington Broadcast Services' out-of-court settlement with Robert Turner, its former president, reportedly ensures that Mr. Turner will stop raiding LBS for personnel and projects and prevents him from using confidential information for his new company.

Both sides pledged not to divulge specifics of the agreement. Steve Felsher, vp-corporate counsel at Grey Advertising, parent company of LBS, said LBS and Grey chose to settle when they thought they had sufficient guarantees to stop Mr. Turner.

Mr. Turner resigned from LBS last month to form Orbis Communications. Since then, he has hired two LBS executives, John Ranck, exec vp, and Ethan Podell, a vp.

The court papers show that Grey and LBS were concerned about protecting material relating to Procter & Gamble schedules. The agreement states: "Defendants represent and warrant that they do not possess copies of plaintiff's proposal to Procter & Gamble for the 1984/85 fiscal year, the design document for plaintiff's computer program or any other confidential document of the plaintiff."

Orbis has been assigned to sell national barter spots in some Metromedia Producers Corp. syndicated shows. That arrangement, as well as others, is not affected by the settlement.

While the lawsuit is over, the after-effect may linger. In a 46-page brief, Mr. Turner charged that Grey and LBS distorted their net profits for 1982 and underestimated amounts payable to licensors of shows. It said five producers—Bandana Enterprises, Televentures, Rif Markowitz, Russ Kagan and Pierre Cossette TV—had asked LBS for audits on their shows.

Grey's Mr. Felsher termed the charges of tampering with the profits "baseless and not worthy of comment."

Some observers had theorized that the specter of having their finances spread out in a court record prompted LBS to withdraw from the legal battle.

Not so, said Mr. Felsher, who claimed that Mr. Turner's brief was filed after the settlement. Sources on the other side disagreed; they said Mr. Turner's reply went into the record the day before the settlement.#

Advertising Age

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Agency income tops $6.5 billion in 1983

Worldwide billings total $44.2 billion, up 12.8% over 1982

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By John J. O'Connor

Aided by the nation's economic recovery, the U.S. advertising agency industry in 1983 posted record gross income of $6.51 billion on worldwide billings of $44.2 billion.

According to the 40th compilation of agency data by ADVERTISING AGE, last year's gross income was 10.7% above the $5.88 billion reported by 822 agencies in the survey a year ago. The 812 agencies taking part in the 1983 survey saw billings rise 12.8% over the previous year's record of $39.2 billion.

The industry's growth over the past five years in terms of gross income is as follows: 1979, $4.10 billion (up 18.5%); 1980, $4.67 billion (up 13.9%); 1981, $5.24 billion (up 12.2%); 1982, $5.88 billion (up 12.2%); and 1981, $6.51 billion (up 10.7%).

The industry's international gross income in 1983 was $1,703,400,000 on billings of $11,466,300,000. In 1982, international operations contributed $1,596,100,000 to agency coffers on billings of $10,667,000,000.

It should be noted that 1983 gross income and billings do not include the results of NCK Organization, a large international agency that merged this year with Foote, Cone & Belding. With that merger, NCK relinquished financial control of Altschiller Reitzfeld Solin/NCK, a domestic agency that had enabled it to be represented in AA's U.S. income survey. In 1982, NCK Organization reported gross income of $69.8 million on billings of $433,500,000. (NCK's 1983 results will appear in AA's survey of foreign agencies.) The 1983 gross income of Altschiller Reitzfeld Solin is $5.4 million.

A total of 54 agencies in the current survey each had gross income of more than $15 million in 1983. The combined gross income and billings of those 54 shops was $4,978,900,000 on billings of $33,550,800,000. There were 87 agencies in the $5 million to $15 million category, whose combined gross income was $587,400,000 on billings of $4,081,200,000. The total gross income for 1983 of agencies with gross income under $5 million was $940,500,000 on billings of $6,611,800,000.

Young & Rubicam once again emerged as the gross income rankings leader as its family of agencies chalked up gross income of $414 million on billing $26.5 million and turning out advertising that is winning coveted industry awards and capturing national attention. And Pat Fallon no longer has his clean-up duties.

(Continued on Page 3)

John J. O'Connor is bureau chief of the New York bureau of ADVERTISING AGE.

Top 10 agencies in world income
(Gross income in millions)

Rank	Agency	1983	1982
1	Young & Rubicam	414.0	376.6
2	Ted Bates Worldwide	388.0	356.1
3	J. Walter Thompson Co.	378.4	347.1
4	Ogilvy & Mather	345.8	315.1
5	McCann-Erickson Worldwide	298.8	276.1
6	BBDO International	289.0	238.3
7	Saatchi & Saatchi Compton	253.3	186.5
8	Leo Burnett Co.	216.5	221.2
9	Foote Cone & Belding	208.4	180.4
10	Doyle Dane Bernbach	199.0	185.0

Top 10 agencies in world billings
(Billings in millions)

Rank	Agency	1983	1982
1	Young & Rubicam	2,761.4	2,511.7
2	Ted Bates Worldwide	2,586.1	2,374.0
3	J. Walter Thompson Co.	2,524.1	2,315.2
4	Ogilvy & Mather	2,360.4	2,151.0
5	McCann-Erickson	1,993.1	1,841.4
6	BBDO International	1,949.0	1,605.5
7	Saatchi & Saatchi Compton	1,710.6	1,302.6
8	Leo Burnett Co.	1,485.3	1,487.4
9	Foote Cone & Belding	1,405.6	1,211.4
10	SSC&B:Lintas Worldwide	1,321.5	1,305.5

Top 10 agencies in U.S. income
(Gross income in millions)

Rank	Agency	1983	1982
1	Young & Rubicam	274.4	246.7
2	Ted Bates Worldwide	244.4	233.4
3	Oglivy & Mather	204.1	176.9
4	BBDO International	199.0	155.0
5	J. Walter Thompson Co.	189.9	167.2
6	Foote Cone & Belding	158.9	129.2
7	Doyle Dane Bernbach	146.0	138.0
8	Leo Burnett Co.	135.0	136.0
9	Grey Advertising	125.1	109.0
10	McCann-Erickson Worldwide	95.4	82.5

Top 10 agencies in non-U.S. income
(Gross income in millions)

Rank	Agency	1983	1982
1	McCann-Erickson	203.4	193.6
2	J. Walter Thompson Co.	188.5	179.9
3	Ted Bates Worldwide	143.5	122.7
4	Saatchi & Saatchi Compton	142.4	117.8
5	Ogilvy & Mather	141.7	138.2
6	Young & Rubicam	139.6	129.9
7	SSC&B:Lintas Worldwide	129.3	132.9
8	BBDO International	90.0	83.3
9	D'Arcy MacManus Masius	89.6	88.3
10	Leo Burnett Co.	81.5	85.1

Agency of the Year: Fallon McElligott Rice

By Nancy Millman

When Fallon McElligott Rice first opened its doors above Peter's Grill in downtown Minneapolis two and one-half years ago, it was without clients, and everyone pitched in to trim expenses. Pat Fallon, president, recalls that among his duties was to clean the restrooms.

Today, "the Fallon brothers"—as they are referred to by one client—are billing $26.5 million and turning out advertising that is winning coveted industry awards and capturing national attention. And Pat Fallon no longer has his clean-up duties.

Less than three years old, this Minneapolis agency has been winning both awards and clients.

In leaving secure, top-dollar jobs at Bozell & Jacobs and Martin/Williams, two major Minneapolis agencies, the founding partners of FMR had something else in mind besides security.

"We wanted to be the preeminent creative agency in America," Mr. Fallon says of the move. "Our aspirations have been so large, it's almost embarrasing."

Under the creative direction of vp Tom McElligott, the agency has won, in its short history, six Clio awards, many Andy awards from the New York Advertising Club Show, gold and silver medals from the New York Art Directors Show and The One Show, 17 citings in the 1983 edition of *Communication Arts*, and scores of top prizes in local competitions.

Recently Mr. McElligott was informed the agency has 46 finalists in the New York Art Directors Club show for this year. "Nobody had anything near that except Doyle Dane Bernbach," he said upon hearing the news.

Modeling their agency after such hot creative shops as Ally & Gargano and Scali, McCabe, Sloves, Messrs. Fallon and McElligott say they want to break the industry norm of compromise, and maintain idealistic standards of arresting, witty advertising that sells the product.

The editors of ADVERTISING AGE believe they have succeeded in this pursuit, and on the basis of the agency's creative output have selected Fallon McElligott Rice as Agency of the Year for 1983.

Five quietly intense and aggressive people lead this 38-person agency: Mr. Fallon, who formerly was vp-director of marketing services at Martin/Williams; Mr. McElligott, who worked for ten years at Bozell & Jacobs, ending his tenure as senior vp-creative director; Nancy Rice, vp-executive art director, who also came from B&J where she was vp-senior art director; Fred Senn, vp-account executive, who was at B&J client Wilson Learning Corp., as director of marketing services, and prior to that vp-account manager at Martin/Williams, and Irving Fish, chief financial officer, who had been director of finance and administration at Martin/Williams.

Together they have created an atmosphere in which every staff member seems to share the same mission. The creative product—be it zany tv spots or the compelling print advertising that forms the backbone of the agency's work—counts more than anything else.

The group has its origins in a free lance business called Lunch Hour Ltd., which Messrs. McElligott and Fallon started in the mid-1970s. "We competed by day," Mr. Fallon says, "and worked together at night." The two had several retail clients and also did powerful advertising for the Episcopal Diosese of Minnesota. The advertising created by this partnership attracted much local attention for its sense of humor, and for its often daring approaches.

Mr. McElligott says his tenure at Bozell & Jacobs was "not a happy marriage."

The shy and often self-effacing son of an Episcopal clergyman admits, "I've never been much of a fan of advertising, you know. I there to influence things there from the bottom up, but advertising is not a very democratic business."

Colleagues say Mr. McElligott always marched to a different drummer. He describes himself as "a driven idealist. What drives me and makes me compulsive is a single-minded pursuit of excellence."

Although he says he had "nice offers" from agencies in larger cities, Mr. McElligott was committed to living in the Minneapolis area.

The only alternative was to expand Lunch Hour Ltd. into a fulltime enter-

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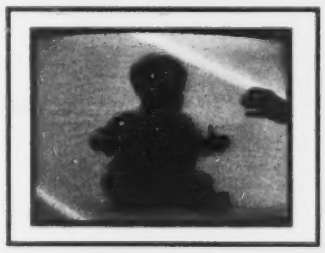

Versatile Fallon McElligott Rice uses dramatic Western scenes for client U S West, one of the new regional telephone and communications companies, and takes a lighter approach in tv spots for Minnesota Federal Savings & Loan (left above) and for Jobs for Minnesotans (left below).

Nancy Millman is Chicago bureau chief of ADVERTISING AGE.

Agency of the Year: FMR

(Continued from Page 1)

prise, with a group of partners—the first of which was Ms. Rice, a soft-spoken, dedicated professional. The search for the right partners took many months, because it was essential all have the same mind-set.

In July, 1980, Mr. Fallon and Mr. McElligott shook hands on a plan to work a year in planning their venture, while continuing their mainstream agency careers. They wanted to be ready for business—with everything from computers to stationery—on the day they opened.

Among the credos in the Fallon McElligott Rice creative philosophy: "We believe there is no such thing as a 'me-too' product, only 'me-too' advertising."

They recruited the other partners with the unusual twist of signing up Mr. Fish as the controller before they had any money to control.

The company was totally self-financed—each of the partners chipped in their savings until they had $200,000—the sum they figured would be enough for them to survive without any business.

"We never borrowed a dime," Mr. Fallon says. To this day, the agency has no long-term debt.

A local tv station, NBC affiliate WTCN, was the first client Mr. Fallon landed. He planted himself in the reception area until the general manager agreed to see him—the 17th agency interviewed. (FMR resigned the account last July for financial reasons—the client was "very penurious," Mr. Fallon says.)

The fledgling agency set tough standards for clients they would accept. Put simply by Mr. Fallon: "People who were used to covering their ass couldn't hire us."

In other words, and this is clearly spelled o t to prospective clients in initial meetings—FMR is only interested in handling clients where the advertising decision-making process is clear and non-political. That means no committees, and no voting, according to Mr. Fallon.

"We're more interested in being good than in growth," the energetic 38-year-old executive says. He points to several potentially large pieces of business, including Minnetonka Inc. and B. Dalton bookstores, that he has turned down because of these conditions.

Applying its own marketing principles, the new agency ran an ad for itself in local newspapers. A strong headline: "A new advertising agency for companies that would rather outsmart the competition than outspend them," is coupled with a photograph of the principals, and a long copy block that concludes with the agency's philosophy:

"At Fallon McElligott Rice we believe in advertising the way Ray Rubicam, Leo Burnett, David Ogilvy and Bill Bernbach once practiced it.

"We believe that imagination is one of the last remaining legal means you have to gain an unfair advantage over your competition.

"We believe you shouldn't have to repeat yourself ten times to be heard once.

"We believe there is no such thing as a 'me-too' product, only 'me-too advertising.' "

This ad drew the first major client (now about $1.2 million in billings) to take a chance on FMR—ITT Life Insurance Corp. The company's president, Mr. Fallon says, was looking to break the rules of insurance advertising.

"I need an agency that will get me kicked out of the club," Robert MacDonald told the hopeful agency.

The agency's first assignment was to unsell the concept of whole life insurance.

"Your whole life is a mistake," the bold headline read in the resulting ad. It was teamed with an illustration of a middle-aged man peering dejectedly from a corner.

The current magazine campaign for ITT is work of which Mr. McElligott is very proud. The selling proposition is that if customers take good care of their health, through diet and exercise, they will be rewarded with lower life insurance premiums.

Dramatic black and white ads with arresting visual images—a beautifully fit young woman, a powerfully muscular man—join with bold headlines to communicate the message. "ITT Life believes a beautiful body should be worth more than a few whistles at the beach," one prize-winning couponed ad says.

In the first six months, about 12,000 coupons were returned and the client's business has increased 204%, Mr. Fallon says.

Few clients are more conservative than bankers. Minnesota Federal Savings & Loan had had three bad years, and the bank executives realized that several of the city's lending institutions were lumped together in terms of their image to consumers.

To make it stand out from the crowd, FMR parodies the money-lending business in hilarious fashion.

One in the series of spots opens on a cold, stone-faced banker. "For years," the announcer says, banks and savings & loans have been singing the same old song." The banker shakes his head and mouths the words to the song. "I can't give you anything but love, baby. That's the only thing I've plenty of, baby."

"They tell you how much they love you, but they never seem able to loan you money," the voiceover continues. "At Minnesota Federal we love you, too, but we also have money to loan . . . at very competitive rates.

"Minnesota Federal . . . money to loan without the song and dance."

Another spot features a potential customer swimming in a fishtank behind an uncaring banker.

And an upcoming commercial goes even further into the absurd, using the Ray Charles song "Hit the road, Jack."

In the spot, bank personnel leave their stations to shoo out an unwelcome prospective borrower, all singing and dancing to the song. Minnesota Federal, copy will relate, will give a warmer reception.

Gordon Mozeltine, president of the s & l, said his company moved from in-house advertising to FMR because "we wanted more bang for our buck." He says mortgage, checking, and consumer lending business are all "up considerably" as a result of the advertising.

Perhaps the most off-the-wall campaign yet to leave Mr. McElligott's office—for in addition to writing a great deal himself, he approves every piece of art and copy—is for Gold'n Plump chickens.

Using black & white newsreel film style, the commercials put crash helmets on chickens and deliver them by parachute and by tank into battle, simulating wartime newsreels.

"People say to us, 'how do your clients let you do that?' We force them to do it. If they let us, we'd be like any other agency," Mr. Fallon says.

"I want our advertising to be powerful, memorable, strategically strong, and to have wit and charm," Mr.

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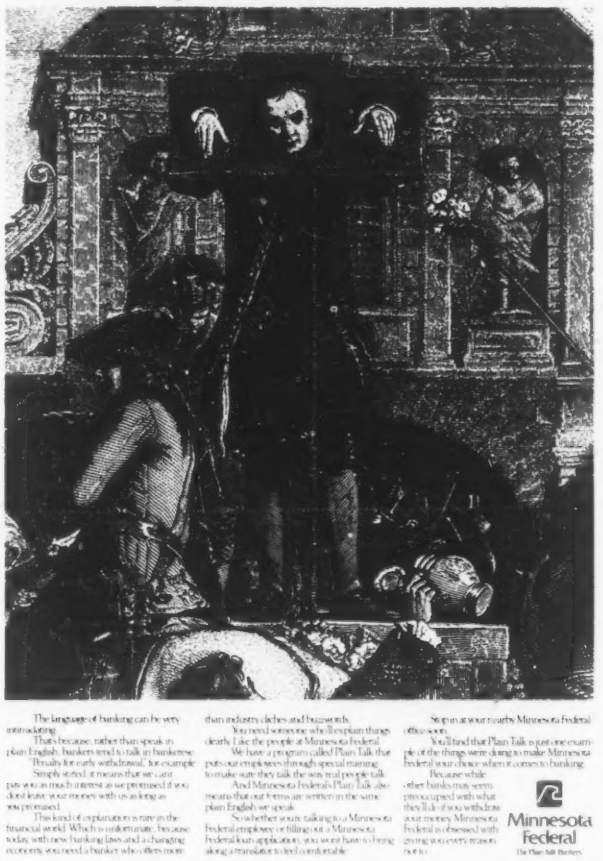
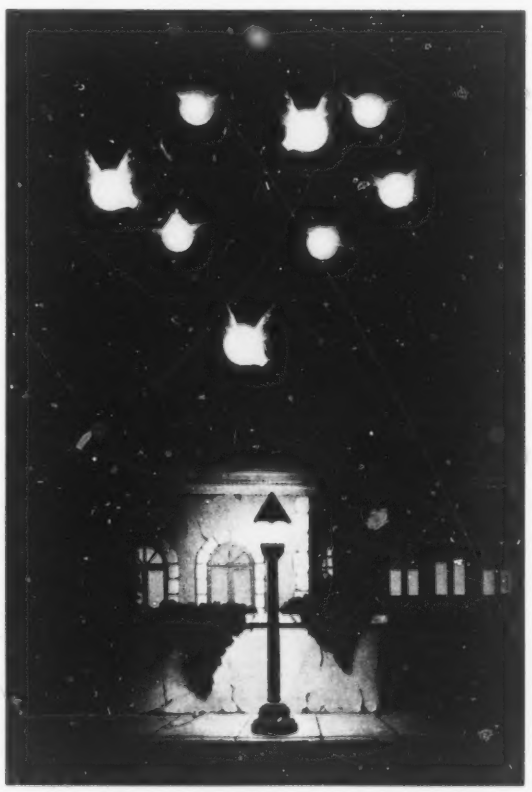
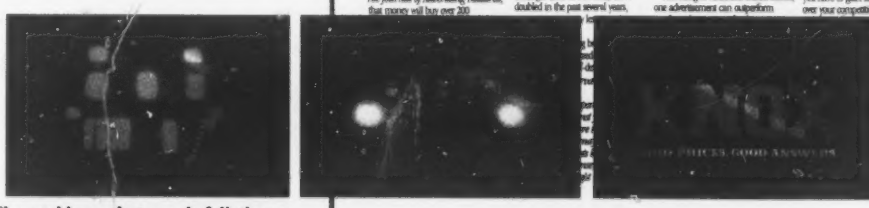


A print ad series for Minnesota Federal Savings & Loan, like the tv spots, brings a lighthearted approach to matters financial.



The light bulb is recurring element in FMR's color ad series for Control Data.



The problems that can befall the unschooled do-it-yourselfer, including malfunctions that blow out the street lights and send towers of water spewing from the water pipes, are portrayed in this spot for Knox Lumber.

A NEW ADVERTISING AGENCY FOR COMPANIES THAT WOULD RATHER OUTSMART THE COMPETITION THAN OUTSPEND THEM.
FALLON McELLIGOTT RICE
99 South 9th Minneapolis, Minnesota 55402 Telephone 612-332-3445

The principals of Fallon McElligott Rice set forth their advertising philosophy in this introductory ad when it opened for business two and one-half years ago.